

OUTSOURCING POLICY FOR AVA FINANCE PRIVATE LIMITED

1. INTRODUCTION:

This Policy shall be known as the "Outsourcing Policy" of **AVA Finance Private Limited** (hereinafter referred to as the "**Company**").

With the rapid growth in the financial services industry, Non-Banking Financial Companies ("NBFCs") increasingly engage third-party service providers and group entities for carrying out various activities. Outsourcing enables the Company to focus on its core business functions, improve operational efficiency and leverage specialized expertise. However, outsourcing may also expose the Company to strategic, reputational, operational, compliance, legal and other risks.

Accordingly, the Company has formulated this Policy to establish a framework for identification, assessment, approval, monitoring and management of outsourcing arrangements undertaken by the Company.

This Policy has been framed in accordance with the provisions of the **Reserve Bank of India (Non-Banking Financial Companies – Managing Risks in Outsourcing) Directions, 2025** and other applicable regulatory instructions issued by the Reserve Bank of India ("RBI") from time to time.

The Company recognizes that outsourcing does not diminish its obligations towards its customers, regulators or other stakeholders. The ultimate responsibility and accountability for outsourced activities shall continue to remain with the Company, its Board of Directors and Senior Management.

The Company shall ensure that outsourcing arrangements:

- Do not compromise customer interests or customer service standards;
- Do not impede the ability of RBI to effectively supervise the Company;
- Do not weaken the Company's internal control, governance or risk management framework;
- Do not compromise confidentiality and security of customer information;
- Are supported by appropriate contractual arrangements and monitoring mechanisms.

This Policy shall be reviewed periodically and amended, wherever necessary, to ensure continued compliance with applicable laws, regulatory requirements and business needs.

2. OBJECTIVE OF THE POLICY:

The objective of this Policy is to:

- Identify activities that may be outsourced and establish criteria for selection of service providers.
- Establish a framework for assessment and management of risks arising from outsourcing arrangements.
- Define the roles and responsibilities of the Board of Directors and Senior Management in relation to outsourcing activities.
- Establish appropriate systems for monitoring, review and control of outsourced activities.
- Ensure compliance with applicable laws, regulations and RBI guidelines relating to outsourcing.
- Safeguard customer interests and ensure confidentiality and security of customer information.
- Ensure that outsourcing arrangements do not adversely affect the Company's operational resilience, internal controls, governance framework or business continuity.
- Ensure that the Company remains fully responsible and accountable for all outsourced activities.
- Promote transparency, efficiency and effective oversight of outsourcing arrangements undertaken by the Company.

3. ACTIVITIES THAT CAN BE OUTSOURCED:

The Company may outsource the following activities, subject to compliance with applicable laws, RBI guidelines and internal policies:

- Sourcing, lead generation and recommendation of prospective borrowers.
- Loan application processing and document collection.
- Verification services including residence, employment, business and field verification.
- Supervision and recovery of loans.
- Customer service and call centre operations.
- Data processing and back-office operations.
- Document management and archival services.
- Recruitment, training and background verification of personnel.
- Technology infrastructure management, maintenance and support.
- Application development, maintenance and support services.
- Cloud hosting and managed technology services.
- Legal services, courier services, security services, housekeeping and other administrative support services.

- Activities undertaken through Lending Service Providers (LSPs), Direct Selling Agents (DSAs), Direct Marketing Agents (DMAs), Recovery Agents and other service providers, as permitted under applicable regulations.

The above list is indicative and not exhaustive. The Company may outsource any other activity permitted under applicable laws and RBI regulations, provided that such outsourcing does not result in dilution of the Company's responsibility, accountability, internal controls, customer protection standards or regulatory compliance obligations.

4. ACTIVITIES THAT SHALL NOT BE OUTSOURCED:

The Company shall not outsource its core management functions and activities which require the exercise of management judgment, oversight or decision-making responsibilities.

Accordingly, the following activities shall not be outsourced:

- Strategic and policy-making functions.
- Compliance functions.
- Internal Audit functions (however, internal auditors may be engaged on a contractual basis).
- Risk management and oversight functions.
- Determination of compliance with KYC and AML requirements.
- Credit appraisal and loan sanctioning decisions.
- Management of investment portfolio.
- Any activity specifically prohibited from being outsourced under applicable laws, regulations or RBI guidelines.

The outsourcing of any activity shall not diminish the responsibility and accountability of the Company, its Board of Directors and Senior Management for the outsourced activity.

5. MATERIAL OUTSOURCING:

Material outsourcing arrangements are those which, if disrupted, have the potential to significantly impact the Company's business operations, reputation, profitability or customer service.

The materiality of an outsourcing arrangement shall be assessed based on, inter alia:

- The significance of the outsourced activity to the Company's operations.
- The potential impact on earnings, solvency, liquidity, funding, capital and risk profile of the Company.

- The likely impact on the Company's reputation and ability to achieve its business objectives in the event of failure of the service provider.
- The cost of outsourcing as a proportion of the Company's total operating costs.
- The aggregate exposure to a particular service provider.
- The significance of the outsourced activity from a customer service and customer protection perspective.

The Company shall undertake enhanced due diligence, monitoring and oversight in respect of material outsourcing arrangements.

6. RISKS ARISING OUT OF OUTSOURCING:

The Company shall identify, assess, monitor and manage the risks associated with outsourcing arrangements. The key risks arising from outsourcing include:

- **Strategic Risk** – Risk arising from adverse business decisions or improper implementation of decisions by the service provider.
- **Reputation Risk** – Risk arising from poor service, customer dissatisfaction or misconduct by the service provider.
- **Compliance Risk** – Risk arising from non-compliance with applicable laws, regulations, guidelines or contractual obligations.
- **Operational Risk** – Risk arising from inadequate or failed processes, systems, technology, fraud, errors or disruptions at the service provider's end.
- **Legal Risk** – Risk arising from contractual disputes, litigation, penalties or regulatory actions.
- **Exit Strategy Risk** – Risk arising from over-dependence on a service provider or inability to transfer the outsourced activity to another provider or bring it in-house.
- **Counterparty Risk** – Risk arising from the inability of the service provider to meet its obligations.
- **Country Risk** – Risk arising from political, social, economic or legal conditions in the jurisdiction where the service provider operates.
- **Concentration Risk** – Risk arising from excessive dependence on a single service provider or a limited number of service providers.

The Company shall ensure that appropriate controls and mitigation measures are established to manage the risks associated with outsourcing arrangements.

7. SELECTION OF SERVICE PROVIDER:

The Company shall undertake appropriate due diligence before entering into or renewing any outsourcing arrangement to assess the capability of the service provider to perform the outsourced activity on an ongoing basis.

The due diligence process shall include assessment of, inter alia:

- Financial soundness and business reputation of the service provider.
- Experience, competence and operational capability.
- Compliance with applicable legal and regulatory requirements.
- Internal controls, governance standards and risk management practices.
- Information security and data protection measures.
- Business continuity and disaster recovery arrangements.
- Past performance, complaints, litigation and regulatory actions, if any.
- Ability to provide the outsourced services in accordance with the Company's requirements and service standards.

The Company may obtain market feedback, references or independent reviews, wherever considered necessary, before appointing a service provider.

The Company shall periodically review the performance and suitability of service providers during the tenure of the outsourcing arrangement.

8. ROLE OF THE BOARD AND SENIOR MANAGEMENT:

8.1 Role of the Board

The Board of Directors shall be responsible for:

- Approving the Outsourcing Policy and any amendments thereto.
- Approving a framework for evaluating the risks and materiality of outsourcing arrangements.
- Laying down appropriate approval authorities for outsourcing arrangements based on risk and materiality.
- Reviewing outsourcing strategies and material outsourcing arrangements on a periodic basis.
- Ensuring that adequate systems and controls are in place for managing risks associated with outsourcing.
- Ensuring that outsourcing arrangements do not adversely affect the Company's ability to effectively manage its operations and comply with regulatory requirements.

8.2 Responsibilities of Senior Management

Senior Management shall be responsible for:

- Evaluating the risks and materiality of existing and proposed outsourcing arrangements.
- Implementing the outsourcing framework approved by the Board.
- Developing and implementing appropriate policies, procedures and controls for management of outsourcing risks.
- Monitoring the performance of service providers and compliance with outsourcing agreements.
- Ensuring that appropriate contingency plans and business continuity arrangements are in place.
- Ensuring periodic review of outsourcing arrangements and reporting material issues, risks or adverse developments to the Board.
- Ensuring independent review and audit of outsourcing arrangements, wherever required.

9. OUTSOURCING TO GROUP COMPANIES:

The Company may outsource activities to group companies or related entities, subject to compliance with applicable laws, regulations and RBI guidelines.

While entering into such arrangements, the Company shall ensure that:

- Such arrangements are undertaken on an arm's length basis.
- Appropriate written agreements and Service Level Agreements (SLAs) are executed.
- The scope of services, fees, responsibilities and confidentiality obligations are clearly defined.
- The arrangement does not impair the Company's ability to identify, monitor and manage risks on a standalone basis.
- The arrangement does not impede the supervisory powers of RBI.
- Customers are appropriately informed of the entity providing the service, wherever required.

The risk management and monitoring framework applicable to outsourcing arrangements with unrelated parties shall also apply to outsourcing arrangements with group entities.

10. OFF-SHORE OUTSOURCING:

The Company may enter into offshore outsourcing arrangements only after assessing the associated risks and ensuring compliance with applicable laws, regulations and RBI guidelines.

While engaging a service provider located outside India, the Company shall ensure that:

- Appropriate due diligence is conducted on the service provider and the jurisdiction in which it operates.
- The outsourcing arrangement does not hinder the Company's ability to effectively monitor and control the outsourced activity.
- The supervisory and inspection rights of RBI are not affected.
- Availability of records, documents and information to the Company and RBI is ensured at all times.
- Adequate safeguards are in place to protect confidentiality and security of customer information.
- Appropriate contingency and exit plans are established to address risks arising from such arrangements.

The Company shall ensure that offshore outsourcing arrangements do not adversely impact customer interests, regulatory compliance or business continuity.

11. OUTSOURCING AGREEMENTS:

All outsourcing arrangements shall be governed by legally binding written agreements, duly approved and executed by the authorized representatives of the parties.

The outsourcing agreement shall clearly define the rights, responsibilities and obligations of the Company and the service provider.

The agreement shall, at a minimum, contain provisions relating to:

- Scope and nature of services to be provided.
- Service levels and performance standards.
- Roles, responsibilities and accountability of the parties.
- Confidentiality and protection of customer information.
- Compliance with applicable laws, regulations and RBI guidelines.
- Access to records, documents and information relating to the outsourced activity.
- Business continuity and disaster recovery requirements.
- Audit and inspection rights of the Company.
- Access rights of RBI or any other regulatory authority, wherever applicable.
- Reporting requirements and escalation mechanisms.
- Termination rights and exit management arrangements.
- Preservation and retention of records in accordance with applicable legal and regulatory requirements.

The Company shall ensure that outsourcing agreements are reviewed periodically and updated, wherever necessary, to address changes in regulatory requirements, business needs or risk considerations.

12. CLIENT CONFIDENTIALITY & SECURITY:

The Company shall ensure that appropriate measures are implemented to safeguard the confidentiality, integrity and security of customer information and data shared with service providers.

The Company shall ensure that:

- Customer information is accessed by service providers strictly on a need-to-know basis.
- Service providers maintain adequate safeguards to protect customer information from unauthorized access, disclosure, misuse, loss or alteration.
- Customer information is used only for the purpose for which it is made available to the service provider.
- Appropriate controls are established to prevent commingling of customer information with that of other clients of the service provider.
- Service providers promptly report any actual or suspected security breach, data leakage or unauthorized disclosure of information to the Company.
- Confidentiality obligations continue to apply even after termination or expiry of the outsourcing arrangement.

The Company shall periodically review the information security and confidentiality practices of its service providers and take appropriate corrective measures, wherever required.

13. RESPONSIBILITIES OF DSAs/DMA/RECOVERY AGENTS:

The Company may engage Direct Selling Agents (DSAs), Direct Marketing Agents (DMAs), Recovery Agents and other service providers for carrying out specified activities in accordance with applicable laws, regulations and internal policies.

The Company shall ensure that:

- DSAs, DMAs and Recovery Agents comply with the Company's Fair Practices Code, Code of Conduct and applicable RBI guidelines.
- Customers are treated fairly, courteously and professionally at all times.
- No service provider adopts coercive, abusive, misleading or unethical practices while interacting with customers.

- Adequate training and guidance are provided to such service providers regarding regulatory requirements and expected standards of conduct.
- Appropriate monitoring mechanisms are established to oversee the activities of such service providers.
- Customer complaints relating to the conduct of DSAs, DMAs or Recovery Agents are promptly addressed.

The Company shall remain responsible and accountable for the actions of its DSAs, DMAs, Recovery Agents and other outsourced service providers engaged for customer-facing activities.

14. LOANS SOURCED THROUGH DIGITAL LENDING PLATFORMS:

The Company may engage Digital Lending Platforms and Lending Service Providers (LSPs) for sourcing and servicing of loans, subject to compliance with applicable RBI guidelines and regulatory requirements.

The Company shall ensure that:

- The names of all Digital Lending Platforms and Lending Service Providers engaged by the Company are disclosed on its website, wherever required.
- Appropriate due diligence is conducted before onboarding any Digital Lending Platform or LSP.
- Loan sanction letters, loan agreements and other customer communications are issued in the name of the Company.
- The outsourcing arrangement does not dilute the Company's responsibility towards customers.
- Customer data is collected, stored and processed in compliance with applicable laws and regulatory requirements.
- Adequate oversight and monitoring mechanisms are established for activities undertaken by Digital Lending Platforms and LSPs.
- Customer grievances relating to services provided through Digital Lending Platforms or LSPs are addressed through the Company's grievance redressal mechanism.

The Company shall remain fully responsible and accountable for all lending activities undertaken through Digital Lending Platforms and Lending Service Providers.

15. BUSINESS CONTINUITY AND DISASTER RECOVERY:

The Company shall ensure that appropriate business continuity and disaster recovery arrangements are maintained in respect of outsourced activities.

The Company shall ensure that:

- Service providers maintain adequate Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP) commensurate with the nature and criticality of the outsourced activities.
- Appropriate contingency arrangements are established to minimize disruption to business operations and customer service.
- The Company retains adequate oversight and control over outsourced activities to ensure continuity of operations in the event of service disruption, failure or termination of the outsourcing arrangement.
- Periodic review of business continuity and disaster recovery arrangements of material service providers is undertaken, wherever considered necessary.
- Appropriate exit and transition arrangements are available to ensure continuity of critical operations.

The Company shall take reasonable steps to ensure that outsourcing arrangements do not adversely affect its ability to continue operations and provide services to customers during adverse events or business disruptions.

16. MONITORING AND CONTROL:

The Company shall establish appropriate systems and controls to monitor outsourced activities and ensure that service providers perform their obligations in accordance with the terms of the outsourcing agreement.

The Company shall ensure that:

- Outsourced activities are subject to ongoing monitoring and review.
- Service providers comply with the terms of the outsourcing agreement and applicable regulatory requirements.
- Material outsourcing arrangements are periodically reviewed to assess performance, operational capability and continued suitability of the service provider.
- Appropriate audit and review mechanisms are established for outsourced activities.
- Any material deficiencies, breaches or adverse developments identified in outsourced activities are promptly escalated and addressed.
- The financial and operational condition of material service providers is reviewed periodically, wherever considered necessary.

The Company shall maintain adequate oversight over outsourced activities to ensure effective risk management, customer protection and regulatory compliance.

17. MAINTENANCE OF RECORDS:

The Company shall maintain appropriate records of all outsourcing arrangements entered into by it.

The Company shall ensure that:

- A centralized record of material outsourcing arrangements is maintained and updated on a periodic basis.
- All outsourcing agreements and related documents are preserved in accordance with applicable legal and regulatory requirements.
- Records relating to due diligence, monitoring, review and performance assessment of service providers are maintained appropriately.
- Relevant records and information relating to outsourced activities are readily available for review by the Company's management, auditors and regulatory authorities, as and when required.

The records shall be maintained for such period as may be prescribed under applicable laws, regulations and internal record retention requirements.

18. GRIEVANCE REDRESSAL:

The Company shall maintain an effective grievance redressal mechanism for addressing customer complaints relating to outsourced activities.

The Company shall ensure that:

- Outsourcing arrangements do not adversely affect the rights of customers against the Company.
- Responsibility for redressal of customer grievances relating to outsourced activities shall remain with the Company.
- Customers are provided with appropriate channels for lodging complaints and grievances.
- Complaints received in relation to outsourced activities are addressed in a fair, timely and transparent manner.
- The contact details of the Grievance Redressal Officer are made available to customers in accordance with applicable regulatory requirements.
- Service providers extend necessary support and cooperation in resolution of customer complaints relating to outsourced activities.

Where a customer is not satisfied with the resolution provided by the Company, the customer may avail such other grievance redressal mechanisms as may be available under applicable laws and RBI regulations.

19. REPORTING REQUIREMENTS:

The Company shall comply with all applicable reporting requirements prescribed under law, RBI regulations and internal policies in relation to outsourced activities.

The Company shall ensure that:

- Currency Transaction Reports (CTRs), Suspicious Transaction Reports (STRs) and any other regulatory reports relating to customer activities carried out through service providers are submitted by the Company to the appropriate authorities, wherever applicable.
- Any material incident relating to outsourced activities, including fraud, operational disruptions, data breaches or security incidents, is promptly escalated to the appropriate authority within the Company.
- Regulatory reporting and disclosures relating to outsourced activities are made in accordance with applicable laws and RBI guidelines.
- Service providers promptly notify the Company of any event that may have a material impact on the outsourced activity, customers or the Company.

The Company shall maintain appropriate records of such incidents and take necessary corrective actions to mitigate risks arising from outsourced activities.

20. REVIEW OF THE POLICY:

This Policy shall be reviewed periodically by the Board of Directors and may be amended as and when considered necessary to ensure continued compliance with applicable laws, regulations, RBI guidelines and business requirements.

Any changes in the regulatory framework governing outsourcing arrangements shall be appropriately incorporated into this Policy within such timeframe as may be considered necessary by the Company.

The Board of Directors shall have the authority to approve any modification, amendment or revision to this Policy.